

C·H·I·P·M·A·N



MINING AND ENERGY CORPORATION LTD.

1985

ANNUAL
REPORT



JAN 21 1986

CORPORATE PROFILE

Chipman Mining and Energy Corporation Ltd. is a Canadian Company incorporated on June 1st, 1970; the Company was largely inactive until the present management took over in 1979.

The Company's first drilling prospect in it's search for hydrocarbons was near Maidstone which is in the heavy oil area of Lloydminster, Saskatchewan. Chipman was successful in discovering oil and is still producing from this field.

Since then the Company has participated in the development of two additional fields near Evesham, Saskatchewan. Both properties are now on production with a good potential.

The Company's main goal is to explore new areas and develop and bring new properties into production.

The Company's U.S. interests are managed by its wholly owned subsidiary Cimarron Petroleum Corporation (UTAH). The land holdings of Cimarron are in the states of Montana, New Mexico and Utah.

Chipman Mining and Energy Corporation Ltd. is listed on the Alberta Stock Exchange in Calgary, with a trading symbol "CML".

LETTER TO THE SHAREHOLDERS

On behalf of the Board of Directors, your management takes great pleasure in presenting the 1985 Annual Report.

Your management during the past year has focused on further exploration and joint development of existing fields. We have taken this route in order to minimize the risk factors and maximize the returns.

During the 1985 year we have achieved three objectives:

- Reduced the short term and long term loans.

- Increased the production of the Company by participating in the development of another property in Evesham.

- Made investments in computer hardware, software and training in order to streamline and to make office management more efficient.

Presently your Company is producing from three fields: the original Maidstone property and from two properties in Evesham.

Gross revenue during the year increased about 25%. The second field in Evesham came on production in November this year, the production from this field will be reflected in the next report.

Your management will increase its efforts in acquiring additional underdeveloped acreage, increase the search for oil and natural gas and improve and further the automation of data processing and office management.

Our corporate policy will remain as before; search and develop petroleum and gas reserves with medium or small risk plays, in order to increase the wealth of our Shareholders.

We wish to express our thanks to our management team, our dedicated office staff, our field operators and our loyal Shareholders.

We greatly appreciate your support and look forward to the next challenges.

Calgary, Alberta
January 10, 1986

Submitted on behalf
of the Board of
Directors

C.M. Tirkani
President



Chipman Mining and Energy Corporation Ltd.

Suite 630, CANADA PLACE

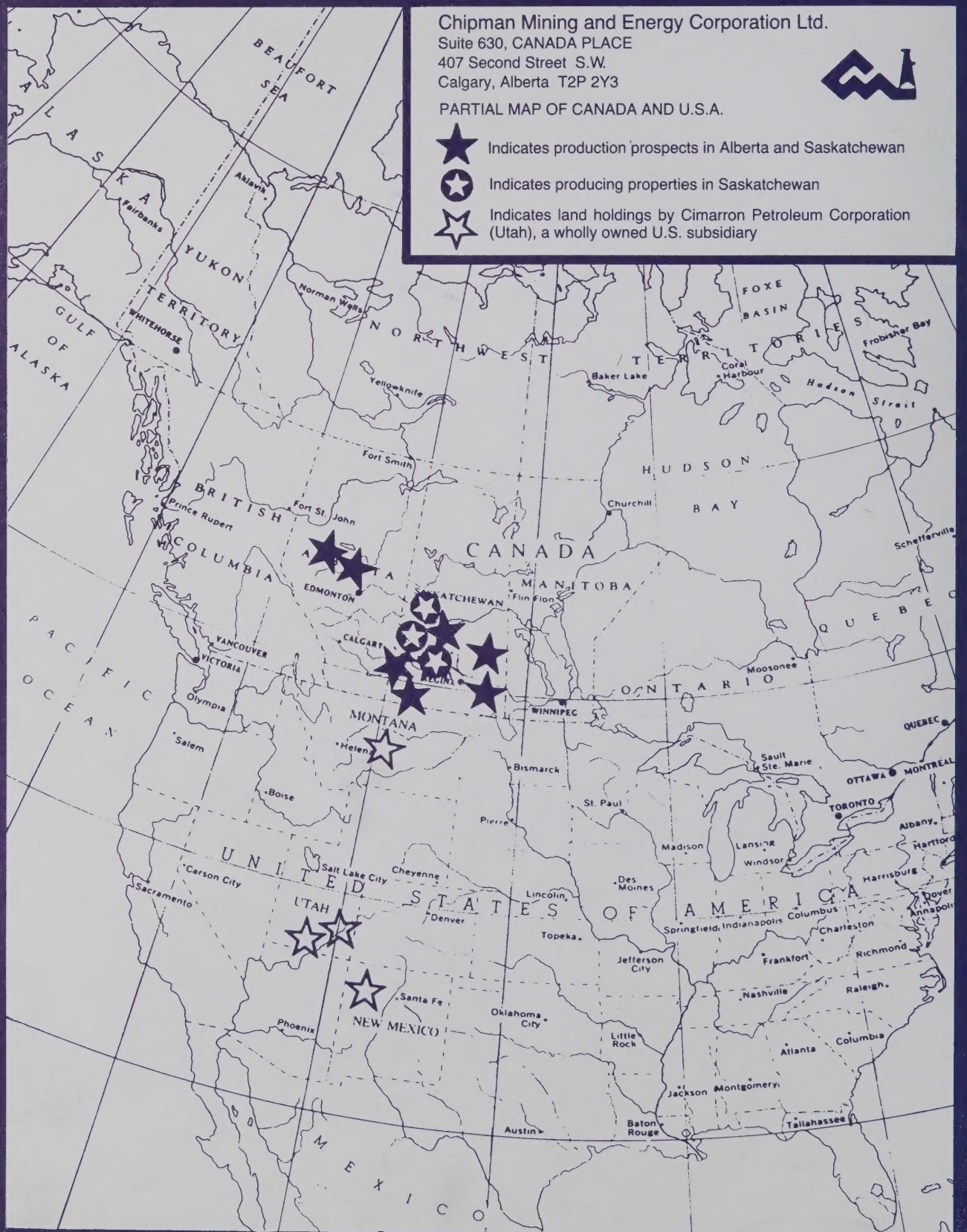
407 Second Street S.W.

Calgary, Alberta T2P 2Y3

PARTIAL MAP OF CANADA AND U.S.A.



- ★ Indicates production prospects in Alberta and Saskatchewan
- ☆ Indicates producing properties in Saskatchewan
- ☆ Indicates land holdings by Cimarron Petroleum Corporation (Utah), a wholly owned U.S. subsidiary



ESTIMATED OIL RESERVES

OIL & GAS PROPERTY	TOTAL ORIGINAL OIL IN PLACE m ³ (bbl)	TOTAL ESTIMATED RECOVERABLE BY PRIMARY METHOD m ³ (bbl)	PRODUCTION TO OCTOBER 31, 1985 m ³ (bbl)	ESTIMATED PRODUCIBLE RESERVES BY PRIMARY METHOD m ³ (bbl)
<i>Proven Reserves:</i>				
Maidstone *	1,643,521 (10,335,296)	126,585 (796,101)	26,525 (166,837)	100,060 (629,267)
Evesham I **	1,241,840 (7,810,925)	62,210 (391,288)	6,414 (40,343)	55,796 (350,945)
Evesham III ***	391,621 (2,463,296)	30,938 (194,600)	Start in Nov. /85	30,938 (194,600)
Subtotal Proven:	3,276,982 (20,609,517)	219,733 (1,381,989)	32,939 (207,180)	186,794 (1,174,812)
Chipman's W.I.	2,051,886 (12,903,851)	149,872 (942,573)	28,129 (176,923)	121,744 (765,653)
<i>Probable Reserves:</i>				
Steelman I ****	857,480 (5,362,100)	85,748 (536,210)	—	85,748 (536,210)
	1,880,890	188,089	—	188,089
Steelman II ****	(11,830,800)	(1,183,080)	—	(1,183,080)
Subtotal Probable:	2,738,370 (17,192,900)	273,837 (1,719,290)	—	273,837 (1,719,290)
Chipman's W.I.	677,747 (4,255,243)	67,775 (425,524)	—	67,775 (425,524)
<i>Possible Production:</i>	Under Evaluation for Future Expansion			
Cactus Lake				
Epping				
Evesham II				
Goose River				
Judy Creek				
Total Proven and Probable	6,015,352 (37,802,417)	493,570 (3,101,241)	32,939 (207,180)	460,631 (2,894,102)
Chipman's W.I.	2,729,633 (17,159,094)	217,647 (1,368,097)	28,129 (176,923)	189,519 (1,191,177)

* Chipman Mining and Energy Corporation Ltd. has 100% Working Interest. Reserves estimated by Independent Geologists.

** Chipman Mining and Energy Corporation Ltd. has 25% Working Interest. Reserves estimated by Independent Geologists.

*** Chipman Mining and Energy Corporation Ltd. has 25% Working Interest. Reserves estimated by staff. Production commenced November, 1985.

**** Chipman Mining and Energy Corporation Ltd. has 25% Working Interest, less 1% G.O.R. Reserves estimated by Independent Geologists.

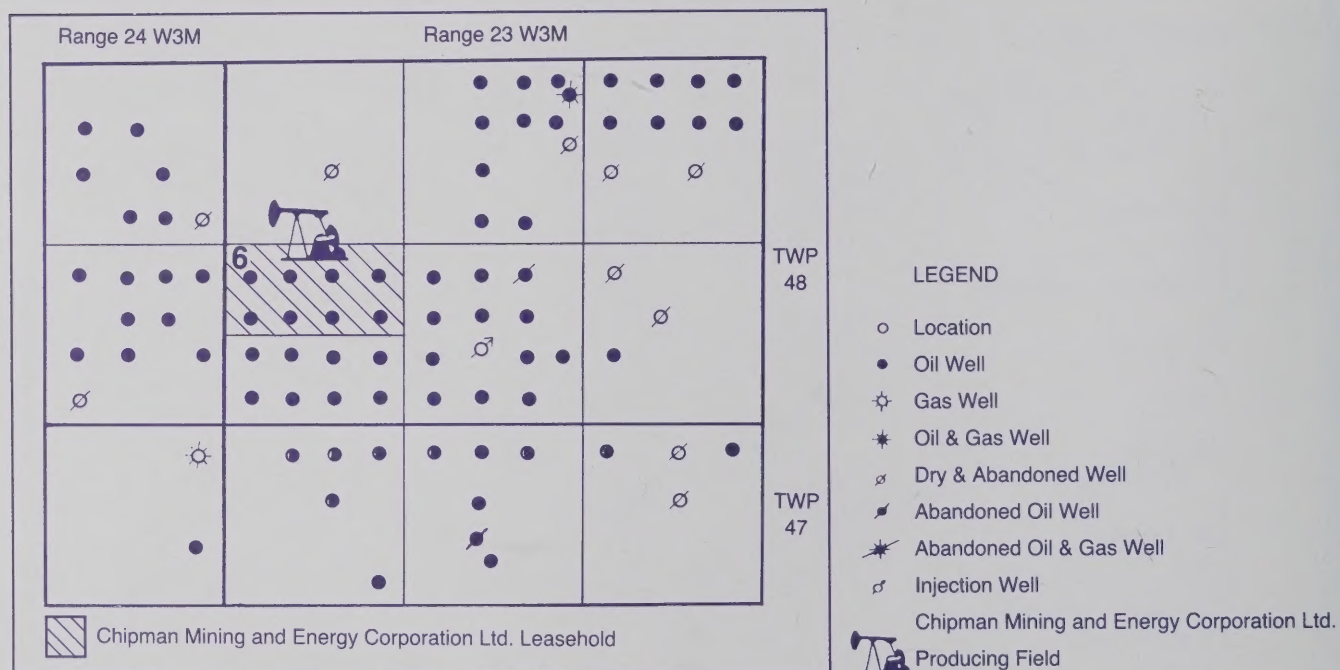
Chipman Mining and Energy Corporation Ltd.'s estimated remaining proven and probable oil reserves producible by primary methods are 189,519 m³ (1,191,177 bbl) with an estimated present market value of about 37 million dollars. Chipman's oil reserves producible by secondary and tertiary methods would require larger capital expenditures but the production could be increased to about 758,076 m³ (4,764,708 bbl) with a present market value of about 148 million dollars, at a crude oil price of \$195.00/m³ of oil (November, 1985). All values are undiscounted values.



PETROLEUM EXPLORATION, DEVELOPMENT AND PRODUCTION — CANADA

Saskatchewan

Maidstone Area:



Location: N $\frac{1}{2}$ 6-48-23-W3M

Area: 320 Acres

Ownership: 100% Chipman Mining and Energy Corporation Ltd.

This property has been on production since 1979. The total production so far has only been from the McLaren Zone.

An independent consultant's evaluation indicated the following oil-in-place reserves in the year 1981:

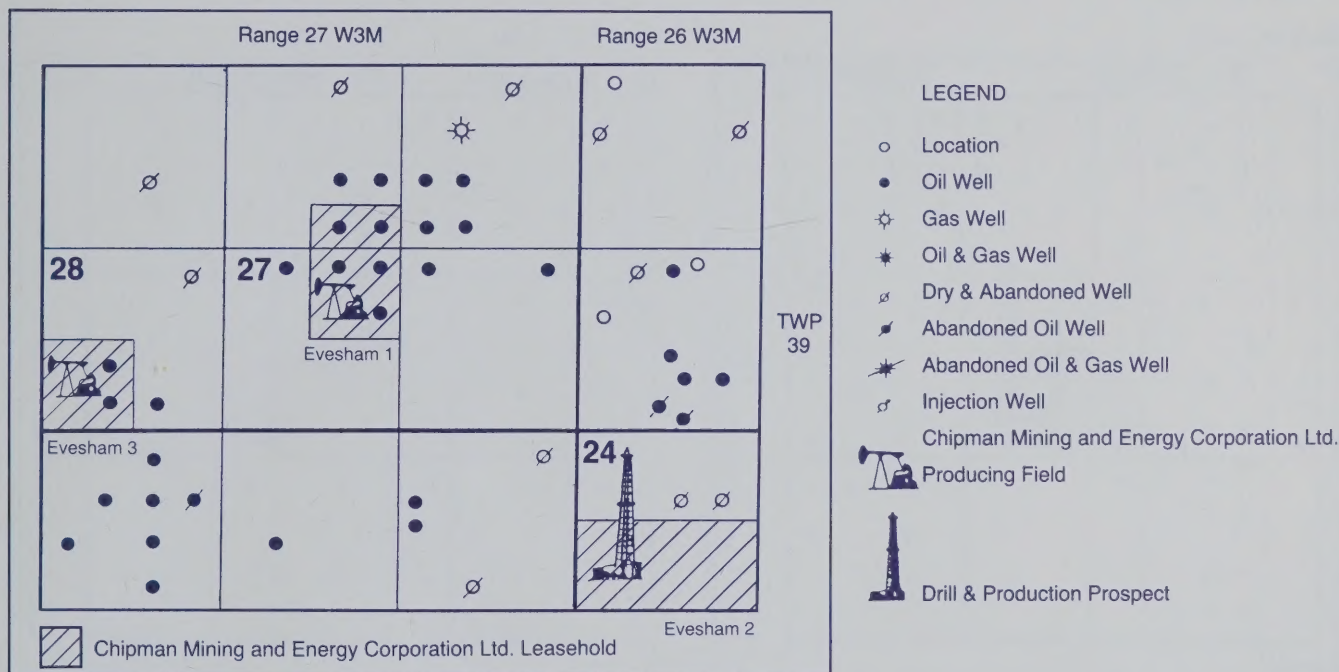
- 1) McLaren Sand 1,184,000 m³ (7,445,000 bbls)
- 2) Waseca Sand 459,521 m³ (2,890,296 bbls)

It was estimated by independent consultants that about 5.6% may be recovered by primary methods on the present spacing. The total production until October 31, 1985 is 26,525 m³ from the McLaren Sand.

PETROLEUM EXPLORATION, DEVELOPMENT AND PRODUCTION — CANADA

Saskatchewan

Evesham Area:



Evesham Area #1

Location: LSD's 1 & 2 of 34 and NE $\frac{1}{4}$ of 27-39-27-W3M

Area: 240 Acres

Ownership: 25% W.I. Chipman Mining and Energy Corporation Ltd.

The lease was acquired in June 1984. Four wells were drilled and completed on the lease during the late summer of 1984. One well was drilled and cased late 1985.

The property was farmed out to New Campbell Island Mines Limited with Chipman Mining and Energy Corporation Ltd. retaining 25% of working interest. All drilling and completion expenses for the well programs were paid by New Campbell Island Mines Limited.

A preliminary geological evaluation by an independent consultant estimates the reserves to be 62,210 m³ with a gross present value of \$12,750,100.

Evesham Area #2

Location: S $\frac{1}{2}$ 24-39-27-W3M

Area: 322 Acres

New Campbell Island Mines Limited has an option to develop the property; negotiations are in progress for the financing of one or more wells. These negotiations have not been finalized.

Evesham Area #3

Location: SW $\frac{1}{4}$ 28-39-27-W3M

Area: 161 Acres

Ownership: 25% W.I. Chipman Mining and Energy Corporation Ltd.

The lease was acquired in 1984. Two successful oil wells were drilled and placed on production in November, 1985.

The property was farmed out to New Campbell Island Mines Limited. All drilling and completion expenses are being paid by New Campbell Island Mines Limited. Chipman Mining and Energy Corporation Ltd. will retain 25% working interest.

Both wells are royalty free for one year.

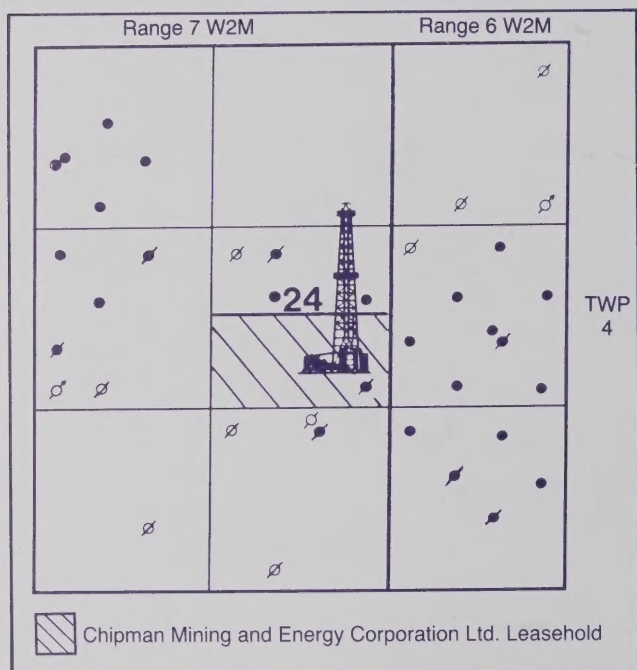


PETROLEUM EXPLORATION AND DEVELOPMENT — CANADA

Saskatchewan

Steelman Area:

Steelman I Area:



LEGEND

- Location
- Oil Well
- ☆ Gas Well

- * Oil & Gas Well
- ∅ Dry & Abandoned Well
- ✱ Abandoned Oil Well
- ✱ Abandoned Oil & Gas Well

♂ Injection Well



Drill & Production Prospect

Steelman I Area:

Location: S½ 24-4-7-W2M

Area: 320 Acres

Ownership: 100% Chipman Mining and Energy Corporation Ltd. subject to 1% GOR and the Option Agreement as noted below.

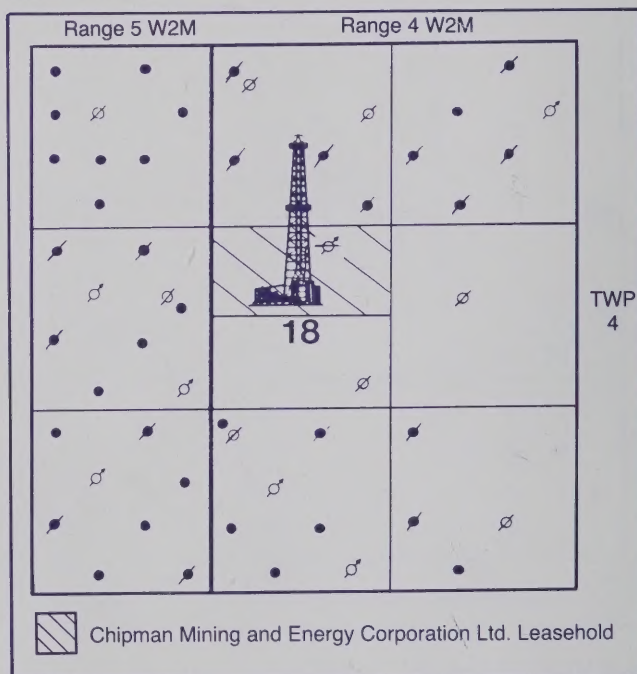
The lease was acquired in 1983. A farmout option agreement on this lease has been concluded with New Campbell Island Mines Limited.

Four wells were allowable and possible on this lease according to the 80 acre spacing.

The total probable reserves for this lease have been estimated by an independent consultant at 85,478 m³. The evaluation indicated that light crude oil with API of 32° can be expected.

Drilling is planned in 1986.

Steelman II Area:



Steelman II Area:

Location: N½ 18-4-4-W2M

Area: 320 Acres

Ownership: 100% Chipman Mining and Energy Corporation Ltd., subject to 1% GOR and the Option Agreement as noted below.

The Company acquired this lease in 1984. A farmout agreement on this lease has been concluded with New Campbell Island Mines Limited.

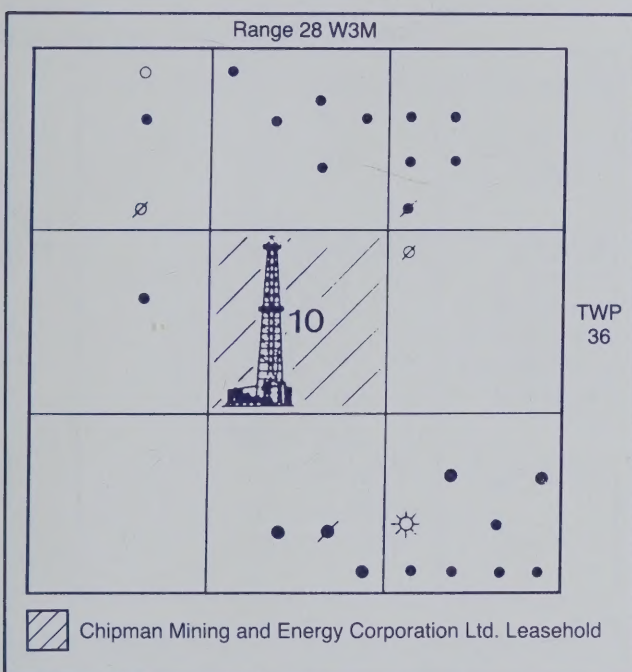
An independent geological consultant estimates the recoverable reserves for this lease to be 188,089 m³ of 32° API light crude.

Drilling is planned in 1986.

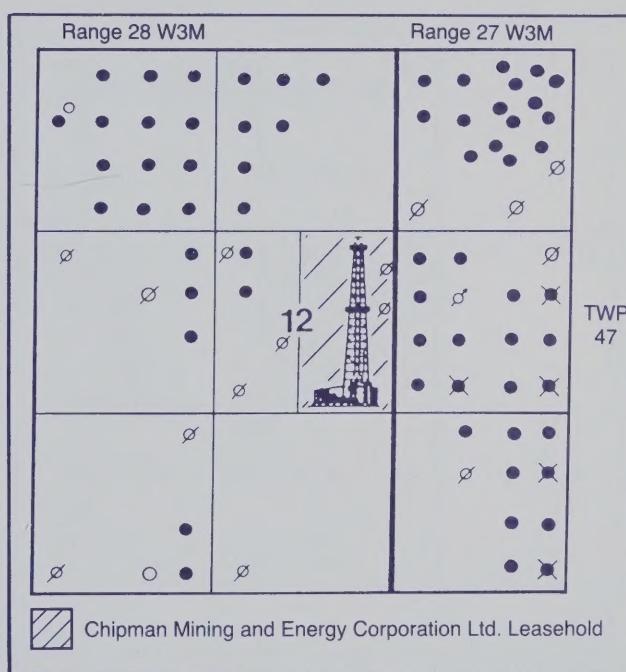
PETROLEUM EXPLORATION AND DEVELOPMENT — CANADA

Saskatchewan

Cactus Lake Area:



Epping Area:



LEGEND

- | | |
|------------------------|---|
| ○ Location |  Drill & Production Prospect |
| ● Oil Well |  Abandoned Oil & Gas Well |
| ☼ Gas Well | ⚡ Injection Well |
| ✱ Oil & Gas Well | ✂ Abandoned Oil Well |
| ⊘ Dry & Abandoned Well | |

Location: 10-36-28-W3M

Area: 640 Acres

Ownership: 100% Chipman Mining and Energy Corporation Ltd.

The lease was acquired in 1984. Chipman Mining and Energy Corporation Ltd. is investigating the production potential of this lease.

Some nearby sections were developed by PEX, CN Exploration and other companies. Further large capital expenditures and developments are expected in this area.

Your management is optimistic about the potential of this lease.

Location: E½ 12-47-28-W3M

Area: 322 Acres

Ownership: 100% Chipman Mining and Energy Corporation Ltd. acquired in 1984

This area has been highly developed. Your Company's lease appears to have good potential, and is now under detailed evaluation.

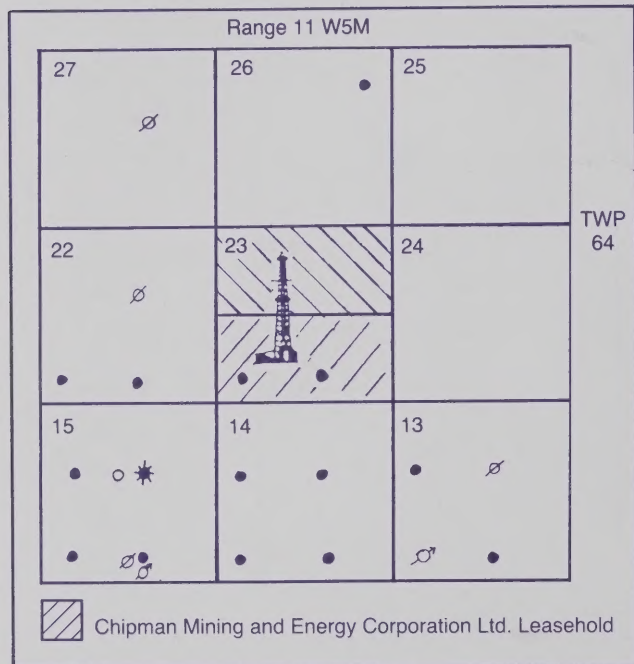
The proximity of the proposed heavy oil upgrader will make this area more valuable in the future.



PETROLEUM EXPLORATION AND DEVELOPMENT — CANADA

Alberta

Judy Creek Area:



LEGEND

- Location
- Oil Well
- ⊕ Gas Well
- ✱ Oil & Gas Well
- ∅ Dry & Abandoned Well
- ✱ Abandoned Oil Well
- ✱ Abandoned Oil & Gas Well
- ♂ Injection Well

Location: N $\frac{1}{2}$ 23-64-11-W5M
 Area: 320 Acres
 Ownership: 100% Chipman Mining and Energy Corporation Ltd. Acquired in 1983.

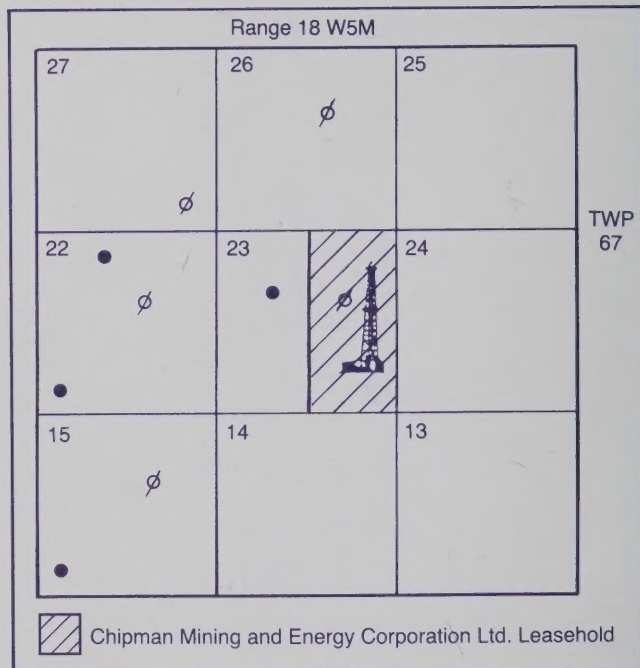
Location: S $\frac{1}{2}$ 23-64-11-W5M

Area: 320 Acres

Ownership: Deep Rights — 100%
 Chipman Mining and Energy Corporation Ltd.

Petroleum and natural gas is anticipated from three separate zones in N $\frac{1}{2}$ 23-64-11-W5M and from one zone in S $\frac{1}{2}$ 23-64-11-W5M where only the deep rights are owned by Chipman Mining and Energy Corporation Ltd.

Goose River Area:



Drill & Production Prospect

Location: E $\frac{1}{2}$ 23-67-18-W5M
 Area: 320 Acres
 Ownership: 100% Chipman Mining and Energy Corporation Ltd.

Geological interpretation of the old logs of the well drilled on the property in 1966 and classified as dry and abandoned, appears to indicate that this well may be a potential producer.

The Company is investigating the possibility of joint ventures for this property.

PETROLEUM EXPLORATION, DEVELOPMENT AND PRODUCTION — U.S.A.

Cimarron Petroleum Corporation (Utah):

Cimarron Petroleum Corporation (Utah), a wholly owned U.S. subsidiary, holds and operates all of the Company's leases within the United States. All explorations and/or drilling in the United States have been conducted through Cimarron Petroleum Corporation (Utah).

Leases in the United States held by Cimarron Petroleum Corporation (Utah) are as follows:

	<u>LEASE SERIAL NUMBER</u>	<u>ACREAGE</u>	<u>% INTEREST</u>
UTAH			
Grand County	U-20035	1,330.07	94%
	U-20035-A	1,208.91	94%
	U-20047-A	682.80	87%
	U-20047-B Sec 5	683.68	87%
	U-20047-B Sec 6	704.19	94%
	U-20400-A	320.00	94%
MONTANA			
Valley County	M-53888	200.00	97%
NEW MEXICO			
Catron County	NM-51473	1,436.55	100%

AUDITORS' REPORT


PANNELL
KERR
FORSTER

*To the Shareholders of
Chipman Mining and Energy Corporation Ltd.*

We have examined the consolidated balance sheet of Chipman Mining and Energy Corporation Ltd. as at October 31, 1985 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at October 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
December 4, 1985


Chartered Accountants



CHIPMAN MINING AND ENERGY CORPORATION LTD.
CONSOLIDATED BALANCE SHEET
OCTOBER 31, 1985

	<u>1985</u>	<u>1984</u> (note 11)
ASSETS		
CURRENT		
Cash	14,970	2,259
Accounts receivable (note 2)	65,003	126,622
Inventory	27,500	22,700
Deposits	15,000	15,000
Prepaid expenses	22,360	17,644
	<u>144,833</u>	<u>184,225</u>
RESOURCE PROPERTIES AND EQUIPMENT (note 3)	1,038,959	1,102,992
	<u><u>\$ 1,183,792</u></u>	<u><u>\$ 1,287,217</u></u>
LIABILITIES		
CURRENT		
Bank indebtedness (note 4)	50,000	225,000
Accounts payable and accrued liabilities (note 5)	180,240	57,766
Royalties payable	11,377	10,345
Petroleum and gas revenue tax payable	41,869	41,869
Current portion of long-term debt	150,000	150,000
	<u>433,486</u>	<u>484,980</u>
LONG-TERM DEBT (note 6)	—	150,000
DEFERRED INCOME TAXES	89,000	59,000
	<u>522,486</u>	<u>693,980</u>
SHAREHOLDERS' EQUITY		
CAPITAL (note 7)	1,964,531	1,953,991
CONTRIBUTED SURPLUS	17,559	17,559
DEFICIT	<u>(1,320,784)</u>	<u>(1,378,313)</u>
	<u>661,306</u>	<u>593,237</u>
	<u><u>\$ 1,183,792</u></u>	<u><u>\$ 1,287,217</u></u>

The financial statements have
been approved by the Board

Director

Director

CHIPMAN MINING AND ENERGY CORPORATION LTD.
CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED OCTOBER 31, 1985

	<u>1985</u>	<u>1984</u> (note 11)
REVENUE		
Production income	677,649	575,071
Royalties	<u>(79,275)</u>	<u>(97,865)</u>
	598,374	477,206
Loss on foreign exchange	(589)	(1,693)
Other	<u>892</u>	<u>4,964</u>
	<u>598,677</u>	<u>480,477</u>
EXPENSES		
Production	219,733	158,528
General and administrative		
— consulting and professional fees	48,184	28,046
— other	93,340	104,794
Interest — current	29,756	9,830
— long-term	25,770	36,935
Depreciation and depletion	90,240	81,205
	<u>507,023</u>	<u>419,338</u>
EARNINGS BEFORE INCOME TAXES	91,654	61,139
INCOME TAXES (note 10) — current	4,125	—
— deferred	30,000	20,000
	<u>34,125</u>	<u>20,000</u>
NET EARNINGS	57,529	41,139
DEFICIT, beginning of year	—	(1,419,452)
As previously reported	(1,372,313)	—
Prior year adjustment (note 11)	(6,000)	—
As restated	<u>(1,378,313)</u>	<u>(1,419,452)</u>
DEFICIT, end of year	<u><u>\$(1,320,784)</u></u>	<u><u>\$(1,378,313)</u></u>
EARNINGS PER SHARE (note 9)		



CHIPMAN MINING AND ENERGY CORPORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED OCTOBER 31, 1985

	<u>1985</u>	<u>1984</u> (note 11)
OPERATING ACTIVITIES		
Net earnings	57,529	41,139
Depreciation	19,524	23,905
Depletion	70,716	57,300
Deferred income taxes	30,000	20,000
Invested in non-cash working capital (details below)	175,609	(19,738)
NET CASH INCREASE FROM OPERATING ACTIVITIES	353,378	122,606
FINANCING ACTIVITIES		
Debt repayments	(150,000)	(100,000)
Reduction in short-term borrowings — net	(175,000)	—
Proceeds from share issue	10,540	1,860
Short term borrowing	—	225,000
NET CASH (DECREASE) INCREASE IN CASH FROM FINANCING ACTIVITIES	(314,460)	126,860
TOTAL INCREASE IN CASH BEFORE INVESTMENT ACTIVITIES	38,918	249,466
INVESTMENT ACTIVITIES		
Additions to resource properties	(20,624)	(303,828)
Purchase of furniture and fixtures	(9,708)	—
Investment tax credit	4,125	—
NET CASH DECREASE FROM INVESTMENT ACTIVITIES	(26,207)	(303,828)
INCREASE (DECREASE) IN CASH DURING THE YEAR	12,711	(54,362)
CASH, beginning of year	2,259	56,621
CASH, end of year	\$ 14,970	\$ 2,259
CHANGES IN OPERATING WORKING CAPITAL, CASH PROVIDED BY (INVESTED IN) NON-CASH WORKING CAPITAL		
Accounts receivable	61,619	(8,041)
Inventory	(4,800)	—
Deposits	—	(5,000)
Prepaid expenses	(4,716)	(4,559)
Accounts payable and accrued liabilities	122,474	(5,118)
Royalties payable	1,032	533
P.G.R.T. payable	—	2,447
INCREASE (DECREASE) FOR THE YEAR	\$175,609	\$ (19,738)

CHIPMAN MINING AND ENERGY CORPORATION LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

a) Principle of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cimarron Petroleum Corporation.

b) Foreign currency translation

For the purpose of consolidation, the Company has translated the accounts of its foreign subsidiary into Canadian dollars as follows:

- (i) monetary assets, monetary liabilities at the year-end exchange rate;
- (ii) non-monetary assets at the rate of exchange prevailing at the date of the transaction;
- (iii) revenue and expenses at the average rate of exchange during the year, except for depreciation and depletion which are on the same basis as the related asset.

All translation gains or losses are included in the consolidated statement of earnings.

c) Inventory

Crude oil inventory is valued at net realizable value.

d) Resource properties and depletion

The Company follows the full cost method of accounting, under which all costs relating to the exploration for and development of oil and gas reserves are capitalized. Costs include lease acquisition costs, geological costs and costs of drilling both productive and non-productive wells. Such costs net of proceeds from government incentives and minor disposals of property are depleted on the unit of production method based upon the total estimated proven reserves of oil and gas.

For purposes of determining that the economic value of the properties is not less than book value, the Company estimates value based on discounted future cash flows from proven reserves as determined by the Company and its independent engineers.

e) Depreciation

Declining balance depreciation is applied to write-off the cost of petroleum and natural gas production equipment and other equipment over their estimated lives at the rates of thirty percent and twenty per cent respectively.

2. ACCOUNTS RECEIVABLE

	1985	1984
Trade	48,509	69,361
Affiliated companies	9,014	53,317
Shareholders	7,480	3,944
	<u>\$65,003</u>	<u>\$126,622</u>

3. RESOURCE PROPERTIES AND EQUIPMENT, at cost

	1985	1984
Resource properties inclusive of exploration and development expenditures thereon	1,388,264	1,367,640
Government incentives	(9,838)	(9,838)
Accumulated depletion	(384,330)	(313,614)
Petroleum and natural gas production equipment	333,598	333,598
Other	19,998	10,290
Government incentives	(4,125)	—
Accumulated depreciation	(304,608)	(285,084)
	<u>\$1,038,959</u>	<u>\$1,102,992</u>



4. BANK INDEBTEDNESS

The bank loan bears interest at prime plus ½% and is secured by an assignment of some specific properties and accounts receivable.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1985	1984
Trade	107,956	50,983
Affiliated companies	72,284	6,783
	<u>\$180,240</u>	<u>\$ 57,766</u>

6. LONG-TERM DEBT

	1985	1984
Loan bearing interest of 11% per annum	150,000	300,000
Amounts due within one year	(150,000)	(150,000)
	<u>\$ nil</u>	<u>\$ 150,000</u>

7. CAPITAL

	1985	1984
Authorized		
5,000,000 common shares without par value		
Issued		
3,919,160 common shares	<u>\$1,964,531</u>	<u>\$1,953,991</u>

During the year, the Company issued common shares as follows:

	1985		1984	
	Shares	Consideration	Shares	Consideration
For cash pursuant to an employee stock option plan	34,000	10,540	6,000	1,860
SHARE CAPITAL, beginning of year	3,895,160	1,953,991	3,889,160	1,952,131
SHARE CAPITAL, end of year	<u>3,929,160</u>	<u>\$1,964,531</u>	<u>3,895,160</u>	<u>\$1,953,991</u>

Stock options issued and outstanding are as follows:

	1985		1984	
Date of Expiration	Number	Price	Number	Price
<i>Company Stock Option Plan</i>				
June 30, 1985	—	.31	24,000	.31
June 30, 1986	26,000	.31	30,000	.31
June 30, 1987	26,000	.31	30,000	.31
May 1, 1989	290,000	.31	300,000	.31
<i>Purchase of Cimarron Petroleum Corporation</i>				
December 2, 1986	50,000	1.65	50,000	1.65
	<u>392,000</u>		<u>434,000</u>	

During the year, 34,000 options were exercised at \$.31 and 8,000 options were cancelled.

8. RELATED PARTY TRANSACTIONS

- a) In the normal course of business the Company engages the services of affiliated companies and shareholders to supply consulting services. Payment under various contracts were \$101,803 (1984 - \$70,100).

- b) The Company entered into a farmout agreement, on some crown leases in its name, with a related Company. The agreement entitles Chipman Mining and Energy Corporation Ltd. to earn a twenty-five percent working interest in the property without incurring any costs in the exploration, development and equipping of these wells.

Drilling on the Evesham II property commenced in September 1985 and production started in November 1985.

- c) The Company pays \$6,000 per year in rental charges to a related company.

9. EARNINGS PER SHARE

	1985	1984
Earnings per share	1.46¢	1.06¢

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

The exercise of options outlined in Note 7 would be anti-dilutive and accordingly fully diluted earnings per share has not been presented.

10. INCOME TAXES

The provision for income taxes of \$40,125 is different from the expected amount that is computed by applying a basic tax rate of 47% to earnings before tax. These differences result from the following items:

	1985	1984
Expected tax expense	45,900	28,735
Add: Crown payments disallowed	37,260	46,000
Interest on PGRT payable	7,810	—
Deduct: Resource allowance and tax depletion	(42,000)	(40,590)
Tax rate reductions	(14,845)	(14,145)
	<u>\$34,125</u>	<u>\$20,000</u>

As at October 31, 1985 the Company has approximately \$507,000 (1984 - \$649,000) of deductible exploration and development expenses available to be carried forward and applied to future years' taxable income, the effect of which has been accounted for in the calculation of Deferred Income Taxes.

11. PRIOR YEAR ADJUSTMENT

The 1984 income tax provision has been increased by \$6,000 as a result of a correction to deferred income taxes. Comparative figures have been restated to reflect this adjustment.

12. SEGMENTED INFORMATION

Information relating to the company's operations by geographic segment for the year ended October 31, 1985 is summarized as follows:

	1985		
	Canada	United States	Total
Petroleum and natural gas sales	667,649	—	667,649
Income (loss) before taxes	117,684	(26,030)	91,654
Total assets	\$1,069,893	\$113,899	\$1,182,792
	1984		
	Canada	United States	Total
Petroleum and natural gas sales	575,071	—	575,071
Income (loss) before taxes	71,630	(10,491)	61,139
Total assets	\$1,162,315	\$124,902	\$1,287,217



CORPORATE AND GENERAL INFORMATION

DIRECTORS:

Jess H. Chua, Ph.D., Assistant Dean, Faculty of Management, University of Calgary
James R. Percy, B.A., President, Alterwords Ltd., Toronto
Clara M. Tirkanits, President of the Company
N.M. Tirkanits, P.Eng., Chairman of the Board, President of New Campbell Island Mines Limited, Calgary
Eivind Urbye, President, Samos Navigation Inc., Paris, France

OFFICERS:

N.M. Tirkanits, Chairman of the Board
C.M. Tirkanits, President
H.E. Mackichan, Secretary
E.T. Percy, Assistant Secretary
J.H. Chua, Vice-President, Finance
T.A. Tirkanits, Vice-President, Exploration & Production
Phillip Toy, Treasurer, Accountant

OFFICE ADMINISTRATION:

Gary Woo, B.Sc., Manager — Engineering and Data Processing
Patty Wong, B.Sc., Geol., Junior Geologist
Rubina A. Murji, Land Assistant
Graham Irish, Chief Clerk

REGISTRAR AND TRANSFER AGENT:

Central Trust Company, 401 - 8th Avenue S.W., Calgary, Alberta T2P 1E4

BANKERS:

Bank of Montreal
Main Office
340 - 7th Ave. S.W.
Calgary, Alberta
T2P 0X4

Toronto Dominion Bank
2 Calgary Place
340 - 5th Ave. S.W.
Calgary, Alberta
T2P 2P6

First Interstate of Utah
Suite 237, ZCMI Centre
Salt Lake City, Utah
U.S.A. 84111

AUDITORS:

Pannell, Kerr, Forster, Chartered Accountants
Suite 2400, One Palliser Square
125 - 9th Avenue S.E.
Calgary, Alberta T2P 0P6

ENGINEERS AND GEOLOGISTS:

Bar Engineering Ltd., Heavy Oil Engineering, Lloydminster
Farries Engineering (1977) Ltd., Petroleum Consultants, Calgary
Lundberg-Tirkanits & Associates Ltd., Professional Engineers, Calgary, Toronto, Montreal
Gillard Petroleum Consulting, Regina, Saskatchewan

LEGAL COUNSELS:

MacLeod Dixon
1500 Home Oil Tower
324 - 8th Avenue S.W.
Calgary, Alberta
T2P 2Z2

Pruitt, Gushee & Fletcher
Suite 1850
Beneficial Life Tower
Salt Lake City, Utah
U.S.A. 84111

Gagnon de Billy & Associates
202 University
Montreal, Quebec
H3A 2A5

STOCK EXCHANGE LISTING:

Alberta Stock Exchange, Calgary, Alberta Trading Symbol "CML"

SUBSIDIARY COMPANY:

Cimarron Petroleum Corporation (Utah)
100% owned U.S. Subsidiary

